

Evaluation Results of the Effectiveness of the Board of Directors

May 16, 2025
SMK Corporation

To enhance the effectiveness of the Board of Directors, we evaluated their FY2024 performance.

1. Evaluation method

Evaluation areas were determined through deliberations with the Board of Directors. From February to March 2025, all the directors (4 internal directors and 2 outside directors) and auditors (1 internal auditor and 2 outside auditors) participated in the evaluation by responding to questionnaires on the roles and functions of the Board, Board composition, meeting operations, content of discussions, coordination and support framework, relationships with shareholders, and follow-up on issues identified in the previous evaluation. Members of the Board of Directors discussed the evaluation results and reached a final assessment.

2. Progress on issues identified in the FY2023 evaluation

We addressed the following points identified in the FY2023 evaluation:

- (1) Review progress on the 11th Mid-Term Business Plan, analysis of shortfalls, and discussion of countermeasures.
 - The 10th Mid-Term Business Plan was reviewed, and progress on the 11th Mid-Term Business Plan was reported every two months to confirm the current status and thoroughly discuss the necessary countermeasures. However, it was confirmed that challenges remain in analyzing the reasons for the shortfalls and formulating effective recovery measures.
- (2) Ensuring diversity among board members
 - The Board of Directors includes foreign and outside directors from diverse backgrounds and a certain level of diversity has been achieved. However, to further enhance diversity, the appointment of female directors is planned for the 104th term.

3. Result of the evaluation in FY2024

- Based on the evaluation conducted in FY2024, we determined that the Board of Directors operated at an appropriate level of effectiveness without significant dysfunctions or deficiencies, in accordance with the Companies Act and Corporate Governance Code.
- Opportunities to discuss the direction of corporate strategies such as midterm business plans and business strategies have increased significantly. Discussions are becoming more dynamic, with board members contributing ideas and opinions based on their diverse knowledge and experience.
- However, challenges remain in analyzing the factors behind the shortfall in achieving a medium-term management plan and formulating appropriate countermeasures. In addition, there is room for improvement in the operations of the Board of Directors, including more flexible meeting scheduling and greater utilization of Technology.

4. Initiatives for enhancing effectiveness

Based on the results of the FY2024 evaluation, the Board of Directors will focus on the following actions:

- (1) We will conduct thorough discussion on the reasons behind the shortfall in achieving the targets of the 11th Mid-Term Business Plan (April 2024 to March 2027) and measures to recover from it.
- (2) To improve the efficiency of Board operations and encourage more active discussions, we will promote the complete translation of key meeting materials into English, consider more flexible meeting schedules, and promote the use of technology, such as tablet devices, during meetings.

To further enhance the effectiveness of the Board of Directors and strengthen corporate governance, we will conduct their annual evaluation and implement its results/suggestions.

End